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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

----- X **Index No.: 04 CV 9263(RJH)**
ECF Case

ATHANASIOS DRENIS, EMILY DRENIS BEYS,
JERRY DRENIS, KATHERINE TSAKONAS, 905
43RD STREET CORP., ASTRON REAL ESTATE,
INC., DRENIS ASSOCIATES LLC, DRENIS
HOLDINGS LLC, DRENIS REALTY LLC,
STEVEN BLUMENTHAL, 195 HUDSON STREET
ASSOCIATES, LLC, NEW YORK STONE
COMPANY, INC., FOTIOS COUGENTAKIS,
ENTEK CONSULTING, MEHMET K. GOKTEKIN,
NURTEN GOKTEKIN, LISA KRUPICKA, K.
ROBERT KRUPICKA, MICHAEL R. LANZANO,
SUSAN C. LANZANO, PETER PAVLAKIS, SPIRO
PAVLAKIS,

Plaintiffs,

VERIFIED ANSWER OF
MICHAEL S.
BENDER TO THE THIRD
AMENDED COMPLAINT

-against-

ANGELO HALIGIANNIS, STERLING WATTERS
GROUP, L.P., STERLING WATTERS CAPITAL
MANAGEMENT, INC., STERLING WATTERS
CAPITAL ADVISORS, LLC, STERLING
WATTERS, INC., EVANTHIA TSAGOULIS,
MICHAEL CAPUL, MARIA HALIGIANNIS,
ALEX SKLIAS, CHRIS P. PAVLATOS, CHRIS B.
PAVLATOS, DOMINIQUE PAVLATOS,
MARILYN BIASUCCI, SLOAN BRUAN,
WALTER SCOTT BRUAN, CORINA BURUIANA,
CHARLES DARWISH, UNITED STATES
CAPITAL INVESTMENTS, PETER DERBY,
JOHNATHAN GATTI, LINDA GATTI, PETER
GEORGATOS, ISABELLA GRIFFIN, DENNIS
KIRINCICH, CHARLES KYRIACOU, ANTHONY
MARANO, ROBERT MARINI, FRANK MICHEL,
HOWARD MOORE, HELENE MOORE, STUART
ADLER, JOSEPH FERRI, JR., CAMELOT
SPECIAL SITUATIONS INVESTMENT
COMPANY, LINON HOME DÉCOR PRODUCTS,
INC., ARDANTZ ASSOCIATES, LP, SANDEEP
ABROL, NICK APOSTOLATOS, PHILIP
ARGYROPOULOS, FRANK BARLAMAS,
CONSTANCE BARLAMAS, JOHN BARLAMAS,

SERVED AND FILED BY ECF

YVONNE BARLAMAS, SUSAN BARNES, BASE ENTERPRISES, MARVIN BASE, NICK BASE, DIMITRI BASE, JIM BASE, KATHERINE BASE, KATERINA BASE, BASE VENTURE CAPITAL, ANTONIA BATALIAS, ELIAS BATALIAS, THEODORA BATALIAS, MICHAEL BATALIAS, EMB CONTRACTING, MICHAEL BENDER, EMILIO BIAGIOTTI, WENDY BIAGIOTTI, CHRISTOPHER R. BRUAN, ELISABETHA BURUIANA, MARC BUSELL, DOMENIC CAPUL, JULIA CAPUL, ANTON J. CARACCIOLO, JOSEPH CASTELLANA, DEBRA CASTELLANA, ROSALIE CASTELLANA, ERNEST DEANGELIS, BARRY ESCOTT, JEFFREY FERRARO, PHYLLIS T. GLANZ, SHAWN GRADECK, VASILIA GRADEK, DANIEL GRIFFITHS, DAVID HACKETT, ANN HACKETT, EVELYN HALIGIANNIS, LANCE HOWARD, ANNA KANES, GEORGE KANTES, SANG KANG, GUS KARAYIANNIS, PETER KARAYIANNIS, WILLIAM KARIS, GLADYS KAW, JOSEPH C. KIRINCICH, GIANNIS MANOUILIDIS, GEORGIA MANOUILIDIS, DR. JORGE MATOS, JOHN MILLER, NATIONAL PROPERTY SERVICES, INC., CLAUDIA PAIVA, JAMES PAPAIOANNOU, HELEN PAPAIOANNOU, DOMINIQUE PAVLATOS, BOBBY PAVLATOS, JOYCE PAVLATOS, PAUL PAVLATOS, NICKOLETTA PAVLATOS, THEODORE KONTOPOULOS, VINCENT PRINCIOTTA, GAIL PRINCIOTTA, VINCENT PRINCIOTTA III, BRIAN PRINCIOTTA, JOEL RADVANYI, ROMANO SAVOCCHI, CAROLINE BANKER, JEFFREY SCHNEIDER, ALDO SKROBE, LINA SKROBE, KATHLEEN SLOAN, SMF ASSOCIATES, ANTHONY TONANI, ALEXANDER TSEPELMAN, NICK PASHALIS, NICK TSOULOS, GREGORY VASILAKOS, PAUL VASILAKOS, DAVE M. YAMAUCHI, STEFANOS ZIOSIS, CONSTANTINOS ZIOSIS, DEMETRIOS ZIOSIS, THE DEMETRIOS J. ZIOSIS IRREVOCABLE TRUST,

Defendants.

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Defendant MICHAEL S. BENDER for their Answer to the Third Amended Complaint state as follows:

1. Defendant admits the allegations contained in paragraphs 1 through 167.

2. Defendant denies knowledge and information sufficient to form a belief as regards the allegations contained in paragraph 168.
3. Defendant admits the allegations contained in paragraphs 169 through 172.
4. Defendant denies knowledge and information sufficient to form a belief as regards the allegation contained in paragraphs 173 through 176.
5. Defendant admits the allegations contained in paragraphs 177 through 196.
6. Defendant denies knowledge and information sufficient to form a belief as regards the allegation contained in paragraphs 197.
7. Defendant admits the allegations contained in paragraph 198 through 223.
8. Defendant admits the allegations contained in paragraphs 225 through 230.

AS AND FOR DEFENDANTS' COUNTER CLAIM AGAINST PLAINTIFFS HEREIN

AND CROSS-CLAIMS AGAINST DEFENDANTS HEREIN

9. Defendant repeats and realleges and incorporates by reference as is fully set forth herein, each and every allegation made by plaintiffs in the Third Amended Complaint, including paragraphs number 1 through 230.
10. Defendant MICHAEL S. BENDER made investments the STERLING WATTERS Group LLP, STERLING WATTERS Capital Management Inc., STERLING WATTERS Capital Advisors LLC, STERLING WATTERS Inc., (herein after "STERLING WATTERS") in the total amount of \$175,000 and as such became a limited partner in STERLING WATTERS.
11. Defendant MICHAEL S. BENDER made the foregoing investment without knowledge of the illegal nature of the enterprise.
12. STERLING WATTERS owed defendant MICHAEL S. BENDER fiduciary duties by virtues of defendants' investments with STERLING WATTERS and under the partnership agreement.

13. The limited partner's investments were an entrustment in reliance of this fiduciary relationship.
14. STERLING WATTERS breached of fiduciary duties by converting the defendants' investment funds, by breaching the partnership agreement, by making numerous material misrepresentations, by engaging in a common scheme to defraud the defendants and other limited partners as more fully alleged in the Third Amended Complaint herein.
15. STERLING WATTERS failed to repay and refused to repay defendant MICHAEL S. BENDER the amounts previously stated despite their demands made both orally and in written form.
16. Defendant MICHAEL S. BENDER was fraudulently induced by the defrauding defendants to invest funds into STERLING WATTERS and to enter into a partnership agreement for the purchase of partnership interests in STERLING WATTERS. These fraudulent activities constituted a breach of contract for which the **DEFRAUDING DEFENDANTS** (as denominated in the Third Amended Complaint) are liable.
17. The defendant has at all times complied with the terms of the partnership agreement.
18. Defendant MICHAEL S. BENDER demanded the return of their funds in compliance with the requirements of the partnership agreement.
19. The failure by the **DEFRAUDING DEFENDANTS** to make payments of the defendant's capital balances to the defendants constitutes a breach of contracts by the **DEFRAUDING DEFENDANTS** for which they are liable.
20. As limited partner, the defendants are creditors of STERLING WATTERS and defendants are creditors of the **DEFRAUDING DEFENDANTS** for the damages they have suffered as the result of their fraud.

THE FALSE PROFIT DEFENDANTS

21. As set forth in the Third Amended Complaint, certain defendants (denominated as false profit defendants in the Third Amended Complaint) received conveyances of STERLING WATTERS' assets.
22. The conveyances made to the **FALSE PROFIT DEFENDANTS** were made in furtherance of the "defrauding defendants' PONZI scheme" and were made a person or entity who was rendered insolvent by the conveyances and by a person or entity that was engaged in a business or transaction for which the property remaining after the conveyances were an unreasonably small capital and by a person or entity to incur debt beyond the ability to pay.
23. The conveyances made to the **FALSE PROFIT DEFENDANTS**, as more fully set forth in paragraph 229 of the Third Amended Complaint, yielded false profits to the **FALSE PROFIT DEFENDANTS** and were in excess of and not a return on a legitimate investment activity and were thus not made for fair consideration.
24. The above described conduct violates Sections 273, 274, 275, and 276 of the Debtor and Creditor Law of New York, which entitled the defendant to relief under Section of 278 of Debtor and Creditor Law and entitles the defendant to set aside the conveyances to the extent necessary to satisfy the claims to disregard the conveyances and attach or levy execution or otherwise recover the property falsely conveyed to the **FALSE PROFIT DEFENDANTS**.

WHEREFORE, the defendant MICHAEL S. BENDER demands judgment as follows:

1. For equitable relief and for an accounting from all limited partners of STERLING WATTERS including all plaintiffs and defendants in the Third Amended Complaint.
2. Compensatory damages in an amount to be determined at trial.
3. An Order to set aside the conveyances described herein as were made to the **FALSE PROFIT DEFENDANTS** and to the plaintiffs herein and an Order of Execution against the false profit defendants and plaintiffs in an amount to be determined at trial but in an

amount no less than the amount of the actual investments by these defendants MICHAEL S. BENDER and PHILIP ARGYROPOULOS as previously stated herein of \$175,000 and \$200,000.

4. Punitive damages and prejudgment interest and postjudgment interest in an amount to be determined by the court and costs and disbursements including reasonable attorney's fees and such other and further relief as the Court deems just proper and equitable.

Date: Queens, New York
May 14, 2009

Yours, etc.



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Plaintiffs,

AFFIDAVIT OF SERVICE

-against-

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MANAGEMENT, INC., STERLING WATTERS
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BARRY ESCOTT, JEFFREY FERRARO, PHYLLIS
T. GLANZ, SHAWN GRADECK, VASILIA

GRADEK, DANIEL GRIFFITHS, DAVID
HACKETT, ANN HACKETT, EVELYN
HALIGIANNIS, LANCE HOWARD, ANNA
KANES, GEORGE KANTES, SANG KANG, GUS
KARAYIANNIS, PETER KARAYIANNIS,
WILLIAM KARIS, GLADYS KAW, JOSEPH C.
KIRINCICH, GIANNIS MANOUILIDIS, GEORGIA
MANOUILIDIS, DR. JORGE MATOS, JOHN
MILLER, NATIONAL PROPERTY SERVICES,
INC., CLAUDIA PAIVA, JAMES
PAPAIOANNOU, HELEN PAPAIOANNOU,
DOMINIQUE PAVLATOS, BOBBY PAVLATOS,
JOYCE PAVLATOS, PAUL PAVLATOS,
NICKOLETTA PAVLATOS, THEODORE
KONTOPOULOS, VINCENT PRINCIOTTA, GAIL
PRINCIOTTA, VINCENT PRINCIOTTA III,
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VASILAKOS, DAVE M. YAMAUCHI, STEFANOS
ZIOSIS, CONSTANTINOS ZIOSIS, DEMETRIOS
ZIOSIS, THE DEMETRIOS J. ZIOSIS
IRREVOCABLE TRUST,

Defendants.

----- X

STATE OF NEW YORK)
) ss:
COUNTY OF QUEENS)

SUSAN E. PAULOVICH, being duly sworn deposes and says that:
deponent is not a party to this proceeding, is over 18 years of age and resides in
Hampshire County, Massachusetts.

That on May 14, 2009 I served the within VERIFIED ANSWER OF MICHAEL
S. BENDER TO THE THIRD AMENDED COMPLAINT by depositing a true copy
thereof enclosed in a post-paid wrapper, by certified mail in an official depository
under the exclusive care and custody of the United States Postal Service within the
County of Queens, City and State of New York, addressed to each of the following
persons at the last known address set forth after each name:

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SUSAN E. PAULOVICH

Sworn to before me this
14th day of May, 2009



NOTARY PUBLIC

STEFANIE ARROYO
NOTARY PUBLIC, STATE OF NEW YORK
NO. 01AR6192871
QUALIFIED IN NEW YORK COUNTY
COMMISSION EXPIRES SEPT. 8, 2012

COMMISSION EXPIRES SEPT. 8, 20
QUALIFIED IN NEW YORK COUNTY
NO. 01482123871
NOTARY PUBLIC, STATE OF NEW YORK
STEPHANIE ARROYO

UNITED STATES DISTRICT COURT
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-against-

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Defendants.

VERIFIED ANSWER OF MICHAEL S. BENDER TO THE AMENDED COMPLAINT

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